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STATEMENT BY SECRETARY BERGLAND AT PRESS CONFERENCE

When President Carter announced the Administration's anti-inflation program, he directed the Department of Agriculture and the Council of Wage and Price Stability to jointly monitor, assess, and report the sources of inflation in the food and agriculture sector of our economy.

Working with the Council on Wage and Price Stability, we will be directing a major effort toward increasing our joint capability to identify unjustified price increases by farm input suppliers, trace the increases in farm commodity prices from the farm gate to the grocery store checkout counter, and make recommendations to address specific problems.

The Working Group on Food and Agricultural policy now reviews all food and agricultural proposals and makes its recommendations to me. The interagency cooperation has been excellent. They have examined each major policy action proposed by USDA to determine its effect on farm prices and farm income, consumer prices and expenditures, federal budget outlays and international trade.

[1979]

Our efforts have intensified in the past few weeks. USDA has participated in an ad hoc task force on food price inflation. This interagency group has studied various alternatives in order to develop an anti-inflation program for the Administration's food and agriculture policies and programs.

Many rumors have been generated in the food and agriculture sector as a consequence of these interagency discussions, and I want to quickly dispel them this afternoon.

First, 1978-crop wheat and feed grains will not be permitted to enter the farmer-owned reserve.

Second, soybeans will not be permitted to be grown on set-aside acres.

Third, the Administration will not accept any increases in commodity price supports or target prices.

Fourth, there will be no further changes in the already announced set-aside programs for wheat and feed grains.

Our goals for the farmer-owned wheat and feed grain reserve have been met. The farmer-owned reserve was established to remove excess production from the market to enable us to become reliable suppliers in domestic and international markets. This year abnormally favorable weather boosted corn yields above expectations, and that part of that weather-induced excess has been placed in reserve. We expect to see the reserve released and decreased when our production is less than the demand.

We will not use the reserve to remove excess production that is the result of farmers' overplanting. This would defeat the balanced approach that we have tried to achieve with the reserve, that is, to maintain farm prices when excess production is caused by favorable weather and protect our markets when unfavorable weather causes crop disasters.

The only part of our reserve objectives that has not been achieved is that necessary to protect our food aid commitments. The Administration sought legislative authority for this special International Emergency Wheat Reserve in the last session of the Congress and it failed to be enacted. This remains a high priority item of the Administration and we hope the Congress will act rapidly on this request.

We do expect some decline in wheat prices because of the indications that the 1979 wheat crop will be larger. If the Congress acts soon on the food aid reserve, the decline in wheat prices can be minimized. With that in mind, effective today, wheat producers can extend their 1978-crop wheat loans for 6 months. This will give the Congress time to act and USDA time to formulate regulations to place this wheat in a food aid reserve.

Also helping to ease the downward pressure on wheat prices will be the options we offered farmers last week to graze cattle on their wheat acreage. This will help reduce wheat production -- thus strengthening prices -- and may also encourage slightly more beef production.

Concerning oats, the reserve has been triggered, so no extension of commodity loans is needed. Also, grain sorghum is in a favorable position to move directly into world markets without additional government assistance.

If corn and barley under loan and in excess supply in parts of the country become a threat to orderly marketing upon maturity, then these loans may also be extended.

Yesterday, I was required by law to adjust the milk price support level by the change in the index of prices paid by farmers. I have asked for a review of alternative formulas for determining the support that would more accurately reflect the costs for producing milk.

As a result of yesterday's action, the support level will be brought to about the current market level. In the next three to four months, prices to farmers will not drop, and consumer prices should remain stable. But in late summer, consumer prices would normally increase because milk production declines.

In addition to this, we also made two important decisions affecting consumer prices. The Board of Directors of the Commodity Credit Corporation decided yesterday to withhold increases in the manufacturing margin for dairy products for six months. There is no need at this time to increase the manufacturing margin in order to assure that the milk support price for farmers will be achieved.

Moreover, such an increase would tend to be inflationary. Increases in the price of milk in the last six months have exceeded the inflation rate in the general economy, in part due to demand and the formula for milk pricing. This decision will have a direct impact on consumer milk prices, resulting in a savings of $25 million.

The CCC Board has decided to reduce the minimum sales price level of its inventory from 110 percent of the support level to 105 percent.As consumer prices begin to increase in late summer, CCC stocks will be available to lessen these consumer cost increases. This will have the added benefit of reducing government-owned stocks.

The final decisions that we are announcing today concern government interest rates on farm storage facility loans, Farmers Home Administration real estate and farm operating loans.

Interest rates are an important mechanism to help control inflation. The cost to the government for money has increased substantially in the past year. Continuing present rates would result in major losses to the government.

Effective at the close of business today, farm storage facility loans will bear an interest rate of 10.5 percent. Farmers Home Administration (FmHA) real estate loans will be made at an interest rate of 9 percent, and FmHA farm operating loans will be subject to a 9.5 percent interest rate. Interest rates on 1979-crop commodity loans will be announced at a later date.

In closing, let me reiterate that there will be no further changes in 1979 programs. Producers should closely examine the benefits of the set-aside program, because it does offer the opportunity to reduce the uncertainty over prices. The record for the last three years shows that the prices received by farmers have been below futures prices. At the same time corn producers can guarantee $2.20 a bushel by participating in the set-aside, and additionally take another 10 percent of their acreage out of production in return for a payment of about $100 per acre.

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